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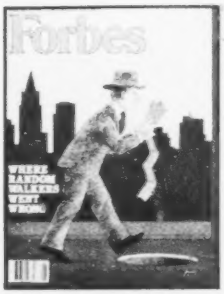

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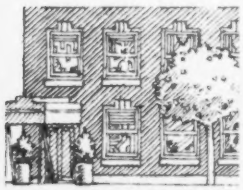

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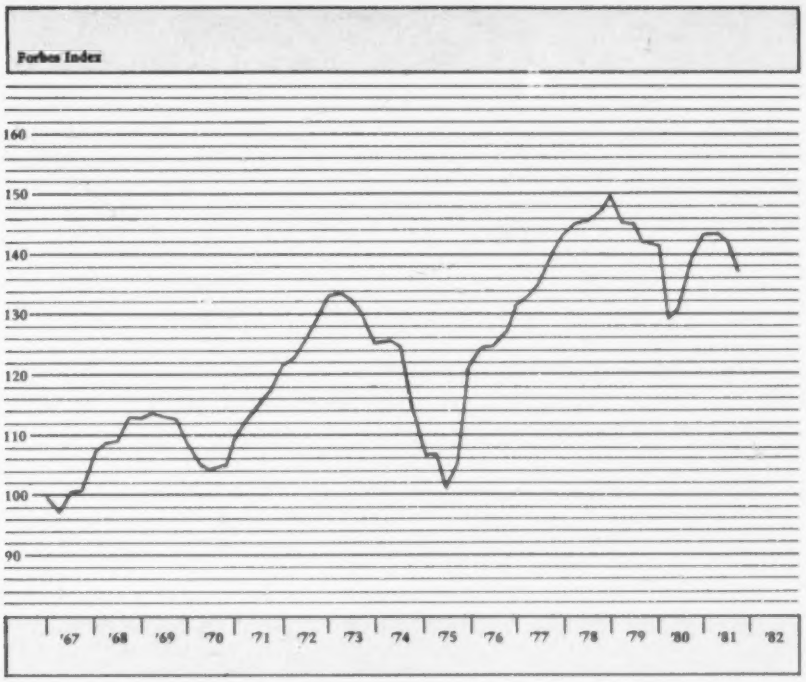
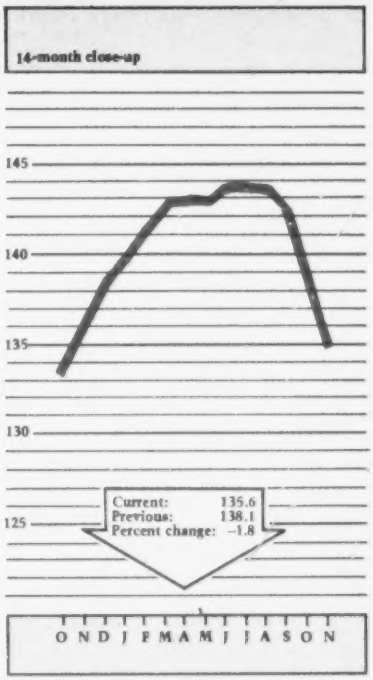
The Forbes Index





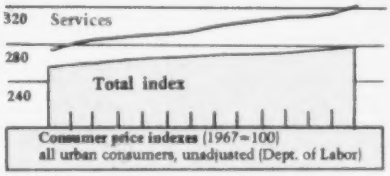
Another sinking spell. As expected, the Forbes Index fell once again. The slide, however, was narrower than the previous downturn. And there are indications that the recession may be nearing its bottom. One indication is that unemployment claims rose another 1.1%, to the highest level since mid-1980. Another is that inventories increased by only 0.2%. On the credit front, consumers boosted their debt loads by 4.7%, while repaying only 2% of their borrowings. The severity of the decline was also lessened by a 1.7% gain in manufacturers' new orders.

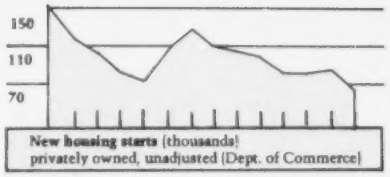
The recession continues to wear on. Take heart, however: Optimists predict the recovery will begin by midyear.

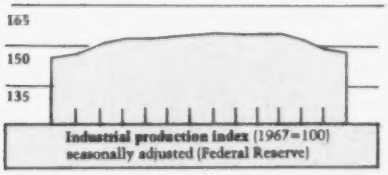
The Forbes Index Components

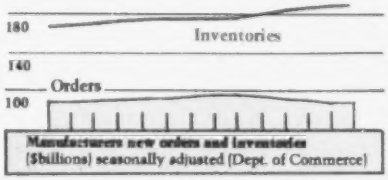
The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements: **Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, the change in the amount of consumer installment debt outstanding.**

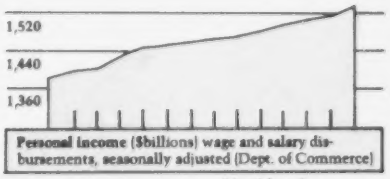
To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series is presented at right.

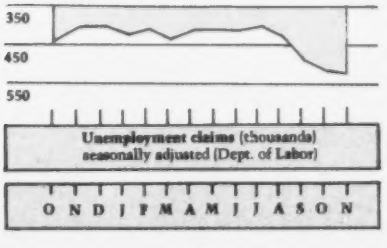


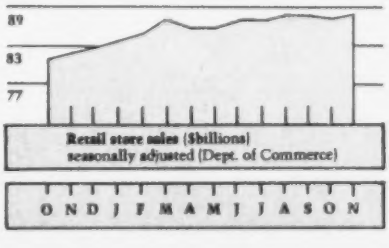


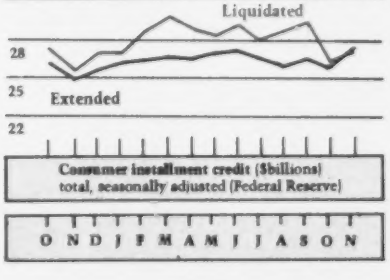












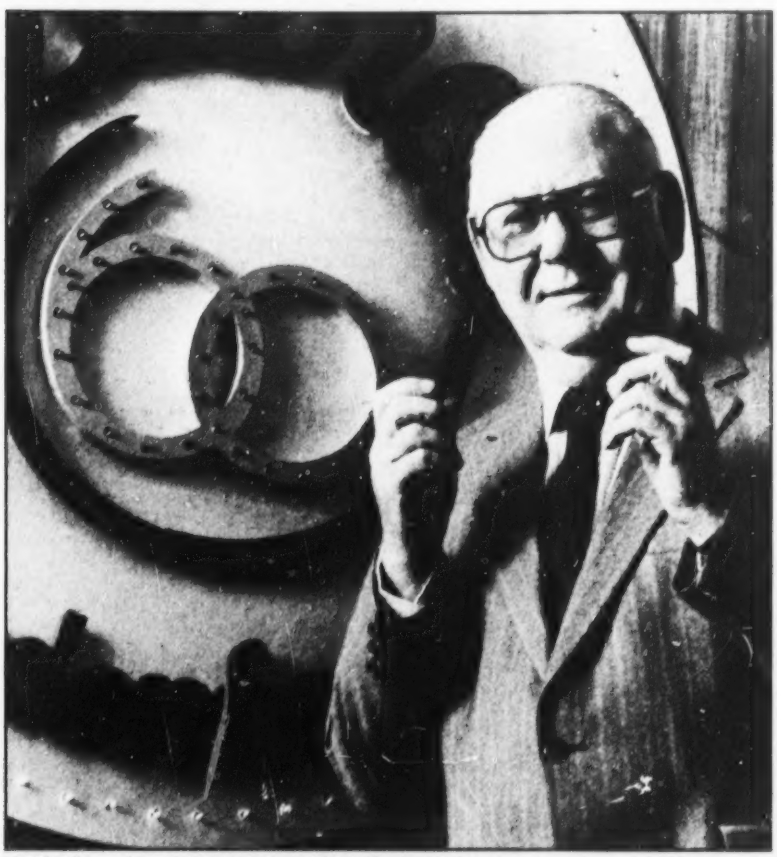
Snap to, Mr. Businessman. Washington hopes you can save the Caribbean from poverty and Fidel with a double dose of old-fashioned capitalism.

A forlorn hope?

By Allan Dodds Frank

WHEN TIMES ARE GOOD in Dominica, unemployment is probably 30% and workers are glad to get $5 a day. Forget tourism: The 289-square mile Caribbean island, midway between Puerto Rico and Venezuela—population, 79,000—is largely rock without a decent beach. Every so often there is a hurricane that knocks out the road and when the wind stops, the coup attempts start. Last December's collapsed when the revolutionaries couldn't unlock the armory door.

Dominica may be a hard case, but it is no exception in the Caribbean. The region has 27 million people—more than Canada—in 17 island states and territories, and is fragmented culturally with four languages: English, Spanish, French and Dutch. Populations are growing, poverty is common, natural resources, capital and skilled labor are scarce. Transportation is expensive and often sporadic, local markets are minuscule and agriculture is sinking. Dependence on painfully expensive imported oil drains foreign exchange.



Maidenform, Inc. Senior Vice President Henry C. Heppen
Despite the problems, some U.S. firms find success in the Caribbean, where there is a "plentiful supply of labor at comparatively low wages."

It's not just the nightmare of poverty close to home or even that Castroism might spread, although that's a serious fear. In the Caribbean nowadays, as they have learned in Florida for two decades, when the going gets tough, the tough get rowing. "The biggest security threat to the U.S. is that these refugees from the Caribbean might swamp the U.S.," one U.S. official told FORBES recently at the Fifth Annual Miami Conference on Caribbean Trade, Investment and Development. Swamp the U.S.? How can we keep them out? With machine guns? The best hope is for local development that will keep people at home.

But the U.S. government doesn't have enough money to save the Caribbean, and it is asking American business to do much of the job. Trickle-down economics under the palms. The idea sounds good, but it may be easier said than done.

"Businessmen do not invest on humanitarian grounds or for moral purposes," says Eugenia Charles, the sharp-witted prime minister of Dominica. She's trying to sell Yankee businessmen ideas on garment-making, fish-farming and using the oil of the local patchouli plant for perfume. Show us how capitalism works, she pleads. "We are all mimics at heart and imitative of the things we see and associate with."

Another problem: "As soon as you educate a guy on Dominica, he gets himself a green card [for immigration] and goes somewhere else for a better job," says one American banker at the Miami conference. Simple things—like roads or the lack of them—become serious obstacles. "It's easier to move a factory site 10 miles than to move the workers 10 miles to the job every day," says an American businessman with Caribbean investments.

Consider the saga of Saba, a sleepy town of 1,000 people in the Netherlands Antilles that wanted its own printing press for menus, laundry lists, postcards and business cards for taxi drivers. Holland's Queen Beatrix came from The Hague to dedicate the

press. But the first press was smashed in transit, and the second didn't work properly on the island's 115-volt electrical system. When the Queen arrived, the Antilleans fed the malfunctioning press with preprinted souvenir programs for the dedication ceremony, and Her Highness was too polite to notice the switch. Later, chemicals and papers spoiled in humid, salty air and an addled sheep attacked and damaged the press. The press is finally working now, thanks only to a part salvaged from the wrecked first one—an electrical part that was good for 115 volts, not the 220 volts used in Europe. Otherwise, they would still be waiting for a spare part to be shipped.

The U.S. has talked of a four-nation support system for the area—the U.S., Canada, Mexico and Venezuela—but nothing much has come of it, although Mexico and Venezuela help some with cut-rate oil. The U.S. civilian aid package for the Caribbean is $192 million for 1982—about $7 per head—down from $400 million in 1970, with most of the money going to the Dominican Republic, Haiti and Jamaica, the largest nations.

It's clear to just about everybody that aid on this scale isn't going to make much of a dent in the problems and that private enterprise alone can-

Dominica's Eugenia Charles
"Businessmen do not invest on humanitarian grounds."

not do the job. Vere Bird, prime minister of newly independent Antigua-Barbuda, supports the Reagan Administration notion that Caribbean nations "must pull themselves up by their bootstraps." But, adds Bird, "first we must have the straps with which to pull up the boot. And we will never have the straps if priorities do not place aid at the forefront."

The U.S.-funded Overseas Private Investment Corp. has made Haiti one of its job targets this year and announced backing of ten projects to create 2,000 new jobs assembling electrical components, producing paper boxes, stuffing toys, tanning hides and making leather dog chews. But these jobs—even if they materialize immediately—are less than 7% of the 30,000 Haiti (pop., 6 million) says it needs. Haiti is a difficult case. Once the richest colony in the New World, it has been going downhill for close to 200 years and now is one of the poorest, most backward nations on earth.

There are successes. Some U.S. businessmen already have found substantial profits and happiness in the Caribbean. They enjoy "tax holidays" and other incentives, low wage scales, good productivity and the chance for management to take tax-deductible inspection trips to their scenic island outposts and idyllic golf courses.

Transducer Systems, Inc., a Willow Grove, Penna. firm manufacturing and assembling computer parts, moved into a turnkey plant with 95 workers on St. Kitts last year. Says Transducer President Michael Nakonechny, "I get 10% more productivity in St. Kitt's at one-tenth the wages than I do in the U.S." Adds Nakonechny, "About five years ago we realized we were going

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Jamaican Prime Minister Edward Seaga

"Aid is not charity, it is business," says Harvard-educated Seaga, who wants substantial U.S. help to revive Jamaica's slumping economy.

into an explosive market that was labor-intensive and there was no way we could see automating it. We searched Mexico, we searched the Far East." And found high productivity in the Caribbean? "It isn't that they work harder," he says, "they just work more minutes per hour. They can compete with Taiwan."

Maidenform, Inc. of New York, the lingerie manufacturer, has seven plants employing 1,700 in Puerto Rico, one with 380 people in the Dominican Republic, a 275-employee operation in Antigua, and is nearing completion on a plant for 200 in Jamaica. With union wage scales now being paid in Puerto Rico, where Maidenform started its offshore operations 30 years ago, it is likely that the company and many others in Puerto Rico will consider shifting more of the time-consuming sewing of bras and other garments to independent island countries. "These offshore islands have something important to offer the American investor and businessman," says Henry C. Heppen, senior vice president of Maidenform, "and that is a plentiful supply of labor at comparatively low wages."

Jamaica's prospects under Prime Minister Edward Seaga, who has exceptionally strong U.S. support, are improving as he stabilizes the economy, revives tourism and tries to revitalize sagging coffee and sugar production. The U.S. is helping by agreeing to buy 1.6 million metric tons of bauxite—ore used for aluminum—worth $56 million. That should considerably diminish the 30% falloff in production originally forecast. Venezuela also has promised to buy substantial amounts of bauxite and alumina. And Seaga has won reversal of the International Monetary Fund stance against further loans to the former government of socialist Michael Manley by obtaining a new $698 million IMF loan. In just the last six months, tourism has increased by more than 20% over last year and expatriate Jamaicans have begun returning for new peace and prosperity. Seaga figures a big injection of American government aid will lead to more private investment, which he wants too. "Aid is not charity," he says, "it is business."

The American government admits it wants U.S. business to carry the ball. "It will be a test case as to whether private enterprise can respond to a political, economic and social challenge," says Thomas O. Enders, assistant secretary of state for inter-American affairs.

But the island states often make trouble for themselves. Says Manuel Vignau, international sales manager for Miami-based Purity Condiments, Inc., "It's awfully difficult to get anything out of their governments." Vignau, who has been trying to establish operations on a half-dozen islands using local vegetable oils and dairy products, says, "They are always bickering about licenses and this and that. And the guys from Washington never seem to know anything when I call them either."

The push for private enterprise to create new jobs in the Caribbean can be a big help, but the local governments will have to provide a strong dose of corruption-free government, slashing of red tape, more beneficial tax and wage incentives and continuing political stability. The U.S. for its part will have to accept whatever the islanders can produce, even at the expense of damaging some homegrown industries. Where else can the goods be sold? There is no sign at the moment that either the locals or the Americans are dealing with the problem with anything like the sense of urgency the situation requires. ■

Caribbean islands

Climates are pleasant in all these countries, but life is not easy. All save Cuba and Grenada (and perhaps they, too) would like U.S. business investment, but there has to be something in it for the U.S. businessman.

Nation	Population 1980	GNP per capita 1979[2]	1980 Trade exports to US (millions)	1980 Trade imports from US (millions)
Antigua	75,000	$1,070	—	—
Barbados	249,000	2,400	$ 95.6	$ 136.4
British Virgin Islands	11,000	—	0.05	16.4
Cuba	9,833,000	1,407[3]	0.01	0.1
Dominica	79,000[1]	410	—	—
Dominican Republic	5,431,000	1,066[3]	785.9	795.1
Grenada	109,200	630	—	—
Guadeloupe	319,000	3,260	6.3[4]	66.8[4]
Haiti	6,000,000	297[3]	251.7	310.9
Jamaica	2,172,000	1,602[3]	383.0	305.0
Martinique	308,000	4,680	6.3[4]	66.8[4]
Netherlands Antilles	260,000[1]	3,540	2,563.6	447.6
Puerto Rico	3,176,000	4,365[3]	5,642.6	5,344.7
St Kitts-Nevis	50,000[1]	780	—	—
St Vincent and Grenadines	124,000	380	—	—
Trinidad-Tobago	1,173,000	3,390	2,378.3	679.8
US Virgin Islands	95,000	5,580	4,237.5	77.0

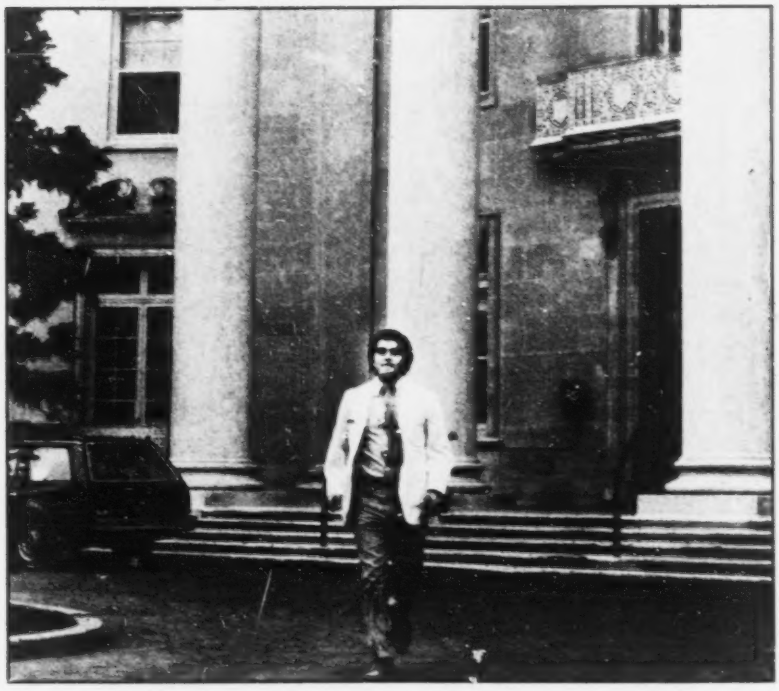
[1]Mid-1979. [2]Preliminary. [3]1980. [4]Includes Guadeloupe and Martinique.

Source: Commerce Department, embassies, World Bank, U.N.

Lawyers are driving cabs, dentists are drilling in corporate storefronts and some med students are $100,000 in debt. Is the gravy train running dry?

Clip this for the kids

Second-year Yale University medical school student Rick Ruiz
"I already know surgeons who can't get a lot of work."



By Jeff Blyskal

Rick Ruiz is a 28-year-old Yale medical student. He hopes to practice plastic surgery after graduation in 1984, but by then he will be $60,000 in debt. On a resident's salary of just $16,000 a year, how does Ruiz plan to pay the banker almost a grand a month? "I'll be married," he says. "My fiancée may be earning some money, too, by that time."

Matthew Siegler was scared off by the $100,000 cost of setting up a solo dental practice in Toledo, Ohio. In 1979, when he graduated from dental school, he opted instead to join a group practice and share overhead costs with two dentists already in business for several years. "To put out your shingle by yourself today is almost impossible in the Midwest," he says.

WHAT'S GOING ON HERE? Medicine and dentistry have long been lucrative, sure-bet career choices for anyone with the talent and dedication. Today, however, for young doctors, dentists and lawyers, even optometrists, pharmacists and veterinarians, the future looks more and more clouded. The young professionals of the Eighties—those hundreds of thousands still in the academic pipelines—are anything but "set for life."

Consider some statistics. Doctors and dentists these days are coming out of school with more than just a sheepskin in their little black bags. "They're progressively getting into debt up to their ears," says Howard Levitin, Yale University dean of students. Thanks in part to tuition costs that can run as high as $16,000 per year, the typical medical school graduate is now some $20,000 in hock. An increasing number of would-be doctors, meanwhile, carry loan obligations that approach six figures. Ten years ago, borrowing averaged a relatively meager $6,000, so the increase has been far faster than inflation.

On top of the four years of medical school, however, the big bucks of a doctor's income are delayed yet another three to eight years during a comparatively low-pay residency. That was not much of a burden when debt deferral was easier and interest rates were low, but it can be potentially stifling today.

Dental students are in almost the same boat, though their residencies last only a year or two. When you add in the high startup investment in chairs, drills, X-ray machines and other equipment, however, some first-year dentists could probably use a shot of novocaine themselves to ease the pain of borrowings in the neighborhood of six figures.

It's hard, of course, to pity someone who charges $40 for a 15-minute physical, or $50 for a quick—and painful—filling. Doctors' postresidency incomes currently can start at around $65,000 and dentists' at $30,000. If the going gets tough, fee hikes are not unheard of.

However, the new young professionals may not have that luxury. While government forecasters and many professional associations don't like to admit it, doctors and dentists face a potentially severe oversupply situation beginning in the Eighties. "I don't think there is going to be a *shortage*," is the way Jesse Hixson of the Health Resources Administration puts it. "There is dispute about whether there will be a surplus." But a 4%-to-8% surplus by 1990 is just what the figures project in a draft report to be released officially later this year by the Department of Health & Human Services.

Another, more controversial study

by the Graduate Medical Education National Advisory Committee recently projected a 15% surplus of physicians by 1990. Worse, GMENAC forecasts that many of the 33 medical specialties will be wildly overstocked, with almost twice as many cardiologists and neurosurgeons than necessary, and a surplus of 10,000 gynecologists. Since a physician in oversupplied general surgery can't easily switch to a job in undersupplied general psychiatry, *within* the 25 oversupplied specialties the surplus will climb to over 25%.

What does this mean for doctors and dentists? "We're forecasting a downward trend in dental prices over the next ten years," says HRA's Hixson. Doctors may be looking down in the mouth, too, for the same reason, even though the HHS study hints that some physicians may increase the amount of unnecessary care as a defensive move to bolster their incomes. For dentists, the competition is already heating up in other ways. Two examples: more "storefront" chains and more graduates staying in school an extra year or two to add a high-paying specialty to the regular drill-and-fill business.

Beyond that, physicians may no longer be able to pick and choose when they work. Says Rick Ruiz, whose specialty may be as much as 45% oversupplied by the time he completes his residency: "Where I want to practice, I already know surgeons who can't get a lot of work." The oversupply of physicians will be worst in the higher-income suburban and urban communities that attract the most professionals. There are only so many fat wallets to go around.

A look at the already burgeoning legal profession shows just how bad things can get. Based on membership figures, the American Bar Association estimates there were some 535,000 lawyers in the U.S. last year. That's 22% more than the 439,000 jobs the U.S. Bureau of Labor Statistics esti-

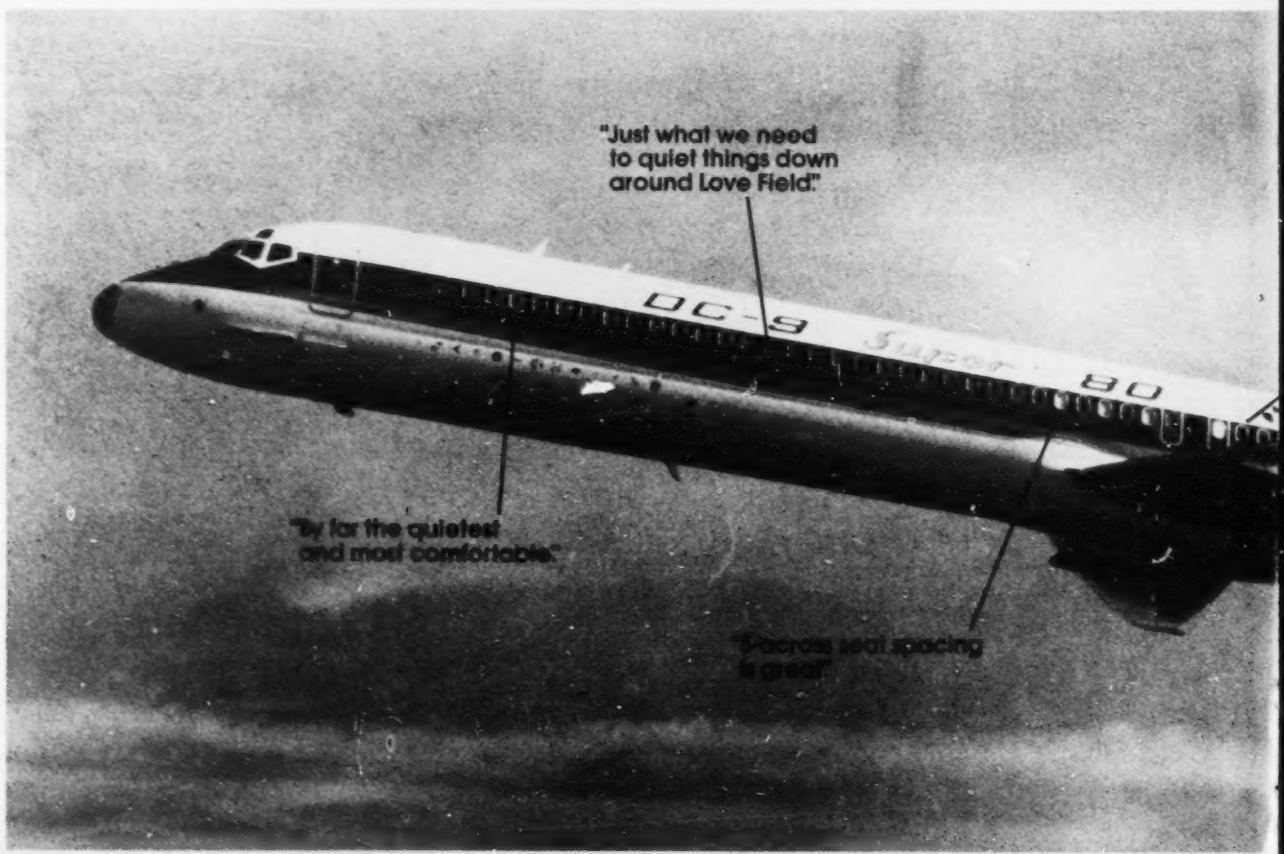
Pity the poor cardiologists

Read the numbers below and think twice before encouraging your kids to enter these professions. There's an anticipated oversupply in all but psychiatry and podiatry.

Profession/ specialty	1990 requirements	1990 surplus/ (shortage)	1990 % over/(under) requirements
Dentists	148,600	8,717	6
Lawyers	438,550*	96,450*	22*
Optometrists	25,800	1,400	5
Pharmacists	165,600	6,900	4
Physicians			
General Medicine	70,250	3,550	5
Family Practice	61,300	3,100	5
Psychiatry	38,500	(8,000)	(20)
Pediatrics	36,400	4,950	14
Obstetrics/Gynecology	24,000	10,450	44
Surgery	23,500	11,800	50
Cardiology	7,750	7,150	92
Podiatrists	13,100	0	0
Veterinarians	45,900	3,900	8

*Estimate for 1981; 1990 projections not available.

Sources: American Bar Association; Department of Health & Human Services; Bureau of Labor Statistics; Graduate Medical Education National Advisory Committee


"Just what we need to quiet things down around Love Field."
DC-9
"By far the quietest and most comfortable."
"Across seat spacing is great."

mates existed in single- and multi-attorney law firms and corporate legal departments. "The job market is a dreadful, heartbreaking situation," says Elinore Carlin, placement director at the Cardozo School of Law. Things have gotten so bad, explains Carlin, that some law graduates have been forced to drive cabs to make ends meet during year-long—or longer—quests for jobs in law that they may never find.

Two factors helped fuel the oversupply: For universities, the law school became a low-cost, fast-money profit center; the big attraction for the students is, of course, big money. But the students have not done their homework. Highly publicized starting salaries at the 100 largest American law firms are indeed attractive: from $24,000 in Minneapolis to $43,000 in New York in 1981, according to the *National Law Journal*. But to get that kind of money, you must be the cream of the graduating crop and you had better have a diploma from a Harvard, Stanford or Yale.

Though salaries do rise swiftly after several years of practice, most down-the-ranks law grads start for considerably less: perhaps $10,000 to $12,000. "There are really two job markets," says Gary Munneke, chairman of the ABA's Standing Committee on Professional Utilization and Career Development, "one, where the top law firms are competing for the top 10% of the graduates and running up the prices, and the other, where the rest of the students are all competing against each other."

The oversupply should hamper lawyers' income gains through the Eighties and perhaps into the Nineties. It is already forcing many graduates to apply their higher-priced educations to lower-paying corporate jobs in backwaters like purchasing or regulatory compliance. Too, with Reagan in the White House, Washington is no longer a dependable job haven for indigent lawyers.

The doctors' and dentists' bind, in fact, was primarily caused by government. On the supply side, for example, federal and state support of medical education through guaranteed student loans and other aid programs opened up the professions far more than in the past. More private health insurance, Medicaid and Medicare increased demand for services at the same time.

The stampede into dentistry stems from sanguine government projections in the Sixties that showed an explosive need for more dentists, a resultant surge of government backing of education and the erroneous expectation of monumental changes in health insurance plans that would greatly extend coverage to dental work. That proved overoptimistic, and something else happened that the experts weren't predicting: Preventive dental techniques are working, and there are fewer and fewer cavities to be filled.

So, at last, doctors, dentists and lawyers will learn about the corrective effects of a free market. Members of all three professions are already moving into more rural, undersupplied areas, giving up the dream of big money for the reality of a secure job. "Employers are looking for lawyers in the small-town county seats," says Francis Utley of the ABA. Doctors and dentists, meanwhile, are forming more group practices to cut soaring overhead costs.

Dentists even have a sophisticated computer system at the University of Minnesota that links individuals interested in changing locations, new graduates, unemployed dentists and towns where there are no or few dentists. Says Dr. Burton Press, president-elect of the American Dental Association, "Dentists never had to think like McDonald's when they picked an office location. They'll have to now." Welcome, doctors, to the land of supply and demand. ■

Fan mail to the new Super 80.

The world's first New Generation Jet is earning a warm welcome wherever it flies. The quotes at left are written reactions from first-time flyers on the new Super 80.

Their enthusiasm is not surprising—to us or to the 10 airlines on four continents flying the Super 80. After all, this jetliner has seats as wide as those on jumbo jets. And four out of five seats are beside a window or on the aisle. The cabin's extra length and concealed overhead storage racks add to the aura of spacious comfort.

Inside the cabin, engine sound is just a soft hum. Outside, the Super 80 is only half as loud during take-off and landing as comparably-sized jetliners. It's the quietest, most fuel-efficient twinjet in service today.

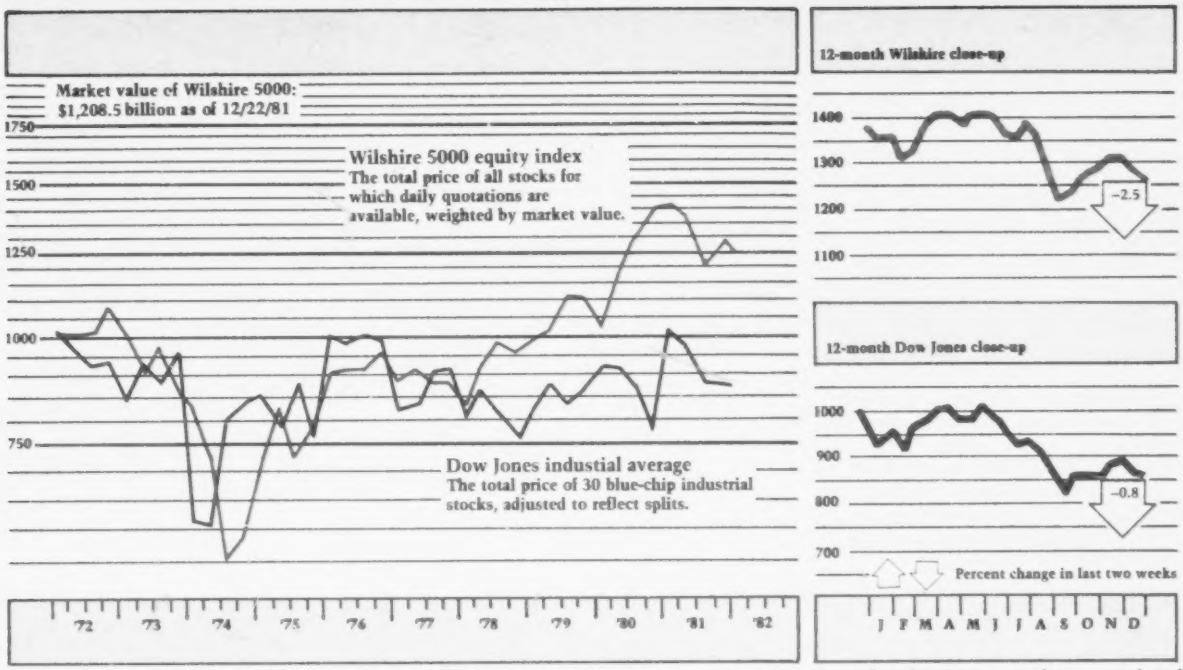
Come aboard a new Super 80 first chance you get. And discover a plane ride worth writing home about.

"I'm very impressed... clean, quiet, roomy."

"Engines seem only to whisper."

Super 80
MCDONNELL DOUGLAS

The Forbes/Wilshire 5000 Review



Brrr! While arctic winds blew across much of the country, Salomon Brothers' Henry Kaufman added to investors' chills by standing behind his prediction of rising interest rates. Gains from last fall's rally have melted away, however, as Wall Street shows its skepticism about a mid-year economic rebound. Recently released unemployment figures—close to postwar highs—did little to warm shareholders' hearts.

In the last four weeks the Dow fell 2.3%, but the NYSE index shows that the average Big Board issue was off by 4.2%—nearly twice as much. A look at the broadly based Wilshire index shows that the market as a whole performed very largely in line with the NYSE stocks. Over the most recent two weeks the Dow stocks again fared somewhat better than other issues. While the Dow was off only 0.8%, the Wilshire dropped 2.5%.

Why is the Dow performing so well? Winds of change are blowing for several of the big capitalization stocks that make up the 30-company index. GM, for example, just released several new products, while Eastman Kodak hinted that there is a revolutionary new camera in its development pipeline. Recent antitrust rulings, of course, will have major implications for IBM and Ma Bell. So while the Dow may make some unusual moves over the next several weeks, more than ever it isn't likely to be representative of what is going on in the rest of the market.

Close-up On The Equity Markets

Performance of five leading indexes

Percent change	Wilshire 5000	Dow Jones industrials	NYSE Composite	ASE Market Value Index	NASDAQ Composite
in last 4 weeks	–4.2	–2.3	–4.2	–3.8	–3.3
in last 52 weeks	–8.8	–10.5	–9.3	–8.6	–2.8

Stock performance based on five key investor yardsticks

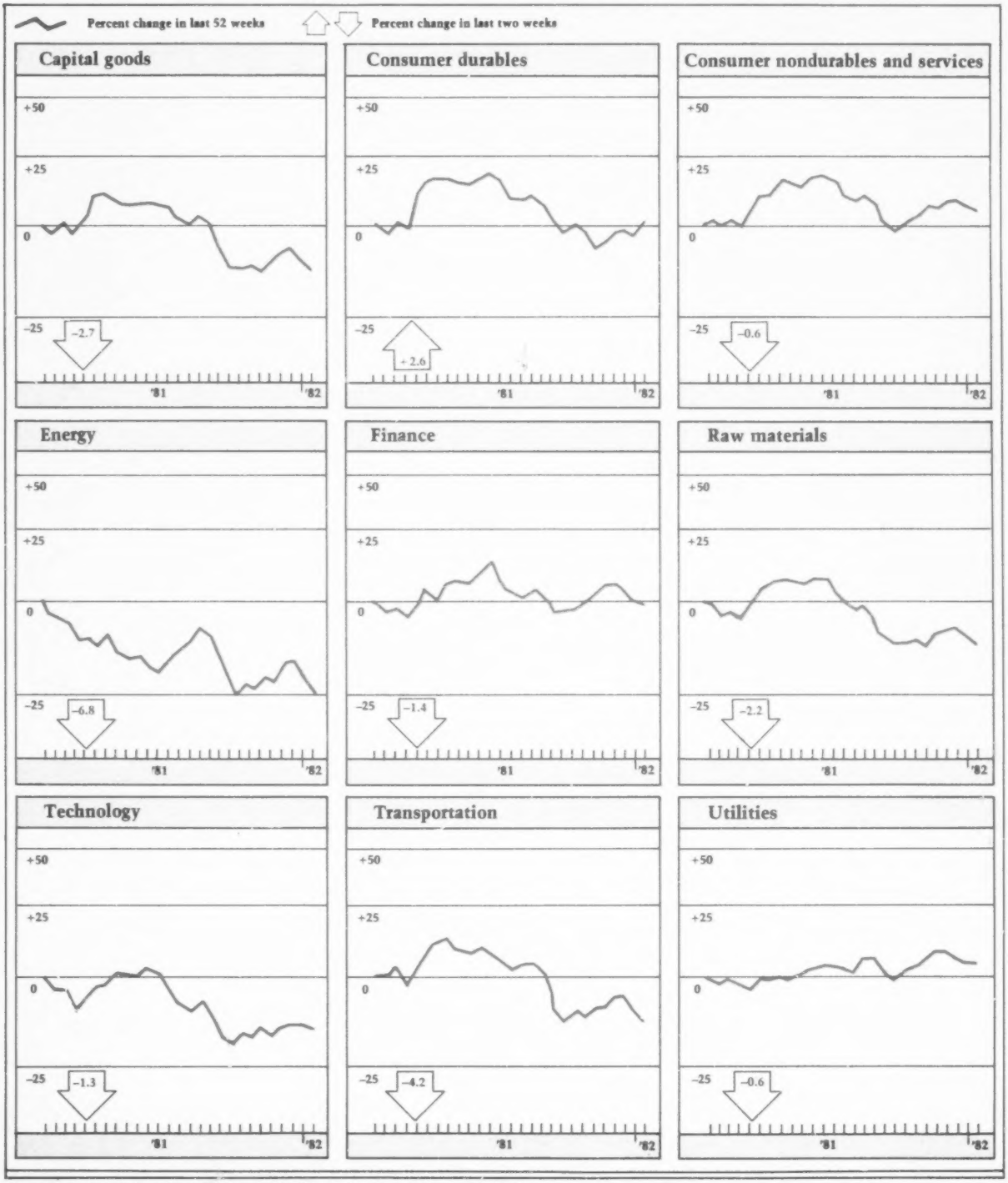
Percent change	Volatility*		P/E multiple		Dividend yield		Growth profile†		Share price	
	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	–0.9	–1.0	–2.4	0.0	–0.7	1.0	–1.1	–1.1	–3.3	0.6
in last 52 weeks	1.5	11.2	–11.8	4.7	7.9	6.0	2.3	5.9	–3.4	12.0

*A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
†A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 1/1/82. Prepared by Wilshire Associates, Santa Monica, Calif.

A durable sector? Consumer durables, companies that might benefit first from an economic turnaround, bucked a negative market and racked up an impressive 2.6% gain. Consumer nondurables and services and utilities, meanwhile, are tied for second-best—even though both sectors are down 0.6%. Utilities, in particular, were strong in 1981 because of their value as interest-rate plays. But if rates are headed back up, don't expect shares in these high-yield companies to continue their upward move.

The energy sector took major setbacks: 6.8% over two weeks; 10.4% over four weeks. Analysts seem to be discounting the possibility of another blockbuster merger battle in the near future. Transportation stocks fell 4.2% in two weeks. Deregulation has hurt many airlines and truckers—to the point that continued economic weakness threatens the very survival of several firms.



Note: all data for periods ending 1/8/82. Prepared by Wilshire Associates, Santa Monica, Calif.